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25 June 1952

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Copy No. 5

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CURRENT INTELLIGENCE BULLETIN

25X1

37
DOCUMENT NO. 37
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S O
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 12 Dec 79 REVIEWER:

25X1

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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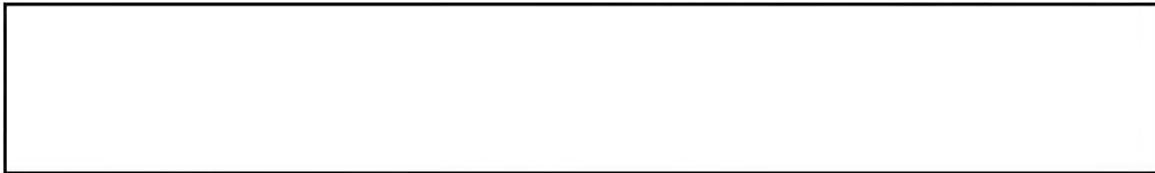
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SUMMARY

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Approved For Release 2004/01/16 : CIA-RDP79T00975A000700370001-3

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SOUTH ASIA

3. Pakistan requests American grant of 30,000,000 dollars:

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Prime Minister Nazimuddin has requested the United States to grant Pakistan approximately 30,000,000 dollars to cover the purchase of 300,000 tons of wheat, which, he says, Pakistan does not have the dollar exchange to buy. If neither a grant nor a loan to be repaid in kind can be extended, the Prime Minister desires a loan to be repaid from dollar credits over the next ten years.

Nazimuddin also stated that there would be serious unrest if no wheat loan were forthcoming. In view of his own critical position, he requested that, by the first of July, the United States give some assurance of its intention to help.

Comment: When Pakistan gained independence in 1947, it anticipated a regular annual surplus of grain. In 1948 natural disasters resulted in a 100,000 ton deficit, and 1952 will apparently be another deficit year.

Because of its growing population and its slow economic and agricultural improvement, Pakistan may develop a chronic food deficit.

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6. East Germans reported purchasing steel rails in France:

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West German officials have informed American authorities that representatives of the East German Government are ready to sign a contract with the Schneider-Creusot Company for 80,000 tons of steel rails. Payment would be in dollars to a Lausanne bank.

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HICOG believes that the reported transaction has serious implications for interzonal trade policy, as well as for Allied-West German relations.

Comment: The West Germans undoubtedly consider that the reported sale reflects discrimination against them in East-West trade matters, in view of the strict quantitative limitations on interzonal trade.

Although steel rails are on the American embargo lists, they are not included on the COCOM international lists. France has so far agreed to prohibit shipments of steel rails only to Communist China.

7. West German action on Bonn-Paris treaties is postponed:

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American officials in Bonn now believe that West German approval of the Bonn-Paris treaties will not occur before the end of September. Chancellor Adenauer has abandoned plans for ratification during the present parliamentary session, but government leaders have agreed to act on the bills immediately after Parliament reconvenes on 4 September.

8. French apparently not delaying Saar Convention revision:

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The American Embassy in Paris reports that the French Foreign Office apparently plans to proceed with its efforts to liberalize the 1950 French-Saar Conventions without waiting until Bonn and Paris have ratified the European Defense Community treaty.

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The Embassy believes that French-Saar discussions are still in a preliminary stage, and suggests that a joint American-British demarche cautioning France to wait until after EDC treaty ratification may be desirable.

Comment: Recent French efforts toward liberalization of the French-Saar Conventions have probably been aimed at creating goodwill toward France in the Saar prior to the Landtag elections this fall.

These efforts may provoke a sharp reaction in Germany, where there is a widespread conviction that the status of the Saar should not be modified except by a German-French-Saar accord.